

IN THE MATTER OF
THE SECURITIES LEGISLATION OF BRITISH COLUMBIA, ALBERTA,
SASKATCHEWAN, MANITOBA, ONTARIO, QUEBEC, NEW BRUNSWICK, NOVA
SCOTIA, PRINCE EDWARD ISLAND AND NEWFOUNDLAND

AND

IN THE MATTER OF
THE MUTUAL RELIANCE REVIEW SYSTEM FOR
EXEMPTIVE RELIEF APPLICATIONS

AND

IN THE MATTER OF
BMO NESBITT BURNS INC.
AND CANADIAN FINANCIAL SERVICES NT CORP.

MRRS DECISION DOCUMENT

WHEREAS the Canadian securities regulatory authority or regulator (the "Decision Maker") in each of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland (the "Jurisdiction") has received an application from Canadian Financial Services NT Corp. (the "Issuer") and BMO Nesbitt Burns Inc. ("BMO Nesbitt Burns") in connection with the distribution (the "Offering") of capital shares (the "Capital Shares") and preferred shares (the "Preferred Shares") of the Issuer by BMO Nesbitt Burns and such other agents as may be appointed (collectively, the "Agents"), pursuant to a prospectus, for a decision pursuant to the securities legislation of the Jurisdictions (the "Legislation") that:

(A) in the case of the Legislation of each of the Jurisdictions other than Nova Scotia, Saskatchewan, and Manitoba, the restrictions contained therein restricting registrants from acting as underwriters in connection with the distribution of securities of a related or connected issuer shall not apply to BMO Nesbitt Burns in connection with the Offering (the "Underwriting Restrictions").

(B) The requirements contained in the Legislation of each of the Jurisdictions to file and obtain a receipt for a preliminary prospectus and final prospectus (the "Prospectus Requirements") shall not apply to Market Making Trades (as hereinafter defined) by BMO Nesbitt Burns in Capital Shares and Preferred Shares.

(C) In the case of the Legislation of each of the Jurisdictions other than Manitoba, the prohibitions contained therein prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds (the "Principal Trading Prohibitions") shall not apply to BMO

Nesbitt Burns in connection with the Principal Sales and Principal Purchases (each as hereinafter defined); and

(D) In the case of the Legislation of each of the Jurisdictions other than Manitoba, the restrictions contained therein prohibiting the Issuer from making investments in Bank of Montreal, which bank is a substantial indirect security holder of a distribution company and a management company of the Issuer (the "Investment Restrictions") shall not apply to the Issuer;

AND WHEREAS under the Mutual Reliance Review System for Exemptive Relief Applications (the "MRRS"), the Ontario Securities Commission is the principal regulator for this application;

AND WHEREAS the Issuer and BMO Nesbitt Burns have represented to the Decision Makers as follows:

1. The Issuer was incorporated under the laws of the Province of Ontario on August 17, 2000 and has its principal office at 1 First Canadian Place, 4th Floor, Toronto, Ontario, M5X 1H3.
2. The Issuer has filed with the securities regulatory authority of each province of Canada a preliminary prospectus dated August 30, 2000 (the "Preliminary Prospectus") in respect of the offering of Capital Shares and Preferred Shares to the public in such provinces.
3. The Issuer intends to become a reporting issuer or equivalent under the Legislation by filing a final prospectus (the "Final Prospectus") relating to the Offering.
4. At the closing of the Offering, the authorized capital of the Issuer will consist of an unlimited number of Capital Shares, an unlimited number of Preferred Shares and an unlimited number of Class A Shares, having the attributes described in the Preliminary Prospectus.
5. The Capital Shares and Preferred Shares may be surrendered for retraction at any time in the amounts described in the Preliminary Prospectus.
6. All Capital Shares and Preferred Shares outstanding on a date approximately five years from the closing of the Offering (the "Redemption Date") will be redeemed by the Issuer on such date and Preferred Shares will be redeemable at the option of the Issuer on any Annual Retraction Payment Date (as described in the Preliminary Prospectus).
7. Application will be made to list the Capital Shares and Preferred Shares on The Toronto Stock Exchange (the "TSE").
8. The Class A Shares are the only voting shares in the capital of the Issuer. There are 100 Class A Shares issued and outstanding. 1066918 Ontario Inc. owns all of the 100 issued and outstanding Class A Shares of the Issuer. Each of BMO Nesbitt Burns and The CBF Corporation (all of the common shares of which are owned by Bo Pelech, a director of the Company) owns 50% of the common shares of 1066918 Ontario Inc.

9. The Issuer has a board of directors which currently consists of six directors. Three of the current directors are employees of BMO Nesbitt Burns. Also, the offices of President/Chief Executive Officer, Chief Financial Officer and Secretary of the Issuer are held by employees of BMO Nesbitt Burns.

10. The Issuer is a passive investment company whose principal undertaking will be to invest the net proceeds of the Offering in a portfolio of common shares (the "Portfolio Shares") of selected Canadian publicly listed banks, life insurance companies, investment management companies and other financial companies (the "Financial Services Companies"). The purpose of the Issuer is to provide a vehicle through which different investment objectives with respect to participation in Portfolio Shares may be satisfied.

11. The Issuer is considered to be a mutual fund as defined in the Legislation. Since the Issuer does not operate as a conventional mutual fund, it has made application for a waiver from certain requirements of National Instrument 81-102.

12. BMO Nesbitt Burns was incorporated under the laws of Canada, is an indirect, majority-owned subsidiary of Bank of Montreal, is registered under the Legislation as a dealer in the categories of "broker" and "investment dealer" and is a member of the Investment Dealers Association of Canada and the TSE.

13. BMO Nesbitt Burns is the promoter of the Issuer.

14. Pursuant to an administration agreement (the "Administration Agreement") to be entered into, the Issuer will retain BMO Nesbitt Burns to administer the ongoing operations of the Issuer and will pay BMO Nesbitt Burns an administration fee equal to:

(a) a monthly fee of 1/12 of 0.15% of the market value of the Portfolio Shares;

(b) any interest income earned by the Issuer from time to time; and

(c) the excess of the net proceeds received by the Issuer in respect of the disposition of Portfolio Shares received by the Issuer as stock dividends or pursuant to dividend reinvestment plans (net of applicable expenses and cash taxes which are not immediately refundable) over the amount of the cash dividends which would have otherwise been received.

15. Pursuant to an agreement (the "Agency Agreement") to be made between the Issuer and BMO Nesbitt Burns and such other agents as may be appointed after the date hereof (collectively, the "Agents" and individually, an "Agent"), the Issuer will appoint the Agent(s) as its agent(s) to offer the Capital Shares and Preferred Shares on a best efforts basis and the Final Prospectus qualifying the Offering will contain a certificate signed by each of the Agent(s) in accordance with the Legislation.

16. BMO Nesbitt Burns' economic interest in the Issuer and in the material transactions involving the Issuer are disclosed in the Preliminary Prospectus and will be disclosed in the Final

Prospectus under the heading "Interest of Management and Others in Material Transactions" and include the following:

- (a) agency fees with respect to the Offering;
- (b) an administration fee under the Administration Agreement;
- (c) commissions in respect of the disposition of Portfolio Shares to fund a redemption or retraction, or the purchase for cancellation, of the Capital Shares and Preferred Shares;
- (d) interest and reimbursement of expenses in connection with the acquisition of Portfolio Shares; and
- (e) Principal Sales and Principal Purchases (as described in paragraphs 17 and 27 below).

17. Pursuant to an agreement (the "Securities Purchase Agreement") to be entered into between the Issuer and BMO Nesbitt Burns, BMO Nesbitt Burns will purchase, as agent for the benefit of the Issuer, Portfolio Shares in the market on commercial terms or from non-related parties with whom BMO Nesbitt Burns and the Issuer deal at arm's length. Subject to receipt of the relief requested hereby, BMO Nesbitt Burns may, as principal, also sell Portfolio Shares to the Issuer (the "Principal Sales"). The aggregate purchase price to be paid by the Issuer for the Portfolio Shares (together with carrying costs and other expenses incurred in connection with the purchase of the Portfolio Shares) will not exceed the net proceeds from the Offering.

18. The Preliminary Prospectus discloses and the Final Prospectus will disclose that if the Principal Sales are made by BMO Nesbitt Burns, as principal, to the Issuer, any Portfolio Shares acquired by the Issuer from BMO Nesbitt Burns, as principal, will be purchased in accordance with the rules of the applicable stock exchange and the price paid (inclusive of all transaction costs, if any) to BMO Nesbitt Burns will not be greater than the price which would have been paid (inclusive of all transaction costs, if any) if the acquisition had been made through the facilities of the principal stock exchange on which the Portfolio Shares are listed and posted for trading at the time of purchase from BMO Nesbitt Burns.

19. All Principal Sales will be approved by at least two independent directors of the Issuer and no commissions will be paid to BMO Nesbitt Burns in respect of any Principal Sales.

20. For the reasons set forth below, in the case of the Principal Sales, the interests of the Issuer and the shareholders of the Issuer may be enhanced by insulating the Issuer from price increases in respect of the Portfolio Shares.

21. None of the Portfolio Shares to be sold by BMO Nesbitt Burns as principal to the Issuer have been acquired, nor has BMO Nesbitt Burns agreed to acquire, any Portfolio Shares while BMO Nesbitt Burns had access to information concerning the investment program of the Issuer,

although certain of the Portfolio Shares to be held by the Issuer may be acquired or BMO Nesbitt Burns may agree to acquire such Portfolio Shares on or after the date of the Decision Document.

22. The Final Prospectus will disclose the acquisition cost of the Portfolio Shares and selected information with respect to the dividend policy and trading history of the Portfolio Shares.

23. The Issuer is not, and will not upon the completion of the Offering, be an insider of any of the Financial Services Companies within the meaning of the Legislation.

24. BMO Nesbitt Burns does not have any knowledge of a material fact or material change with respect to the Financial Services Companies which has not been disclosed to the public.

25. Under the Securities Purchase Agreement, BMO Nesbitt Burns may receive commissions at normal rates in respect of its purchase of Portfolio Shares, as agent on behalf of the Issuer, and the Issuer will pay any carrying costs or other expenses incurred by BMO Nesbitt Burns, on behalf of the Issuer, in connection with its purchase of Portfolio Shares as agent on behalf of the Issuer. In respect of the Principal Sales made to the Issuer by BMO Nesbitt Burns as principal, BMO Nesbitt Burns may realize a financial benefit to the extent that the proceeds received from the Issuer exceed the aggregate cost to BMO Nesbitt Burns of such Portfolio Shares. Similarly, the proceeds received from the Issuer may be less than the aggregate cost to BMO Nesbitt Burns of the Portfolio Shares and BMO Nesbitt Burns may realize a financial loss, all of which is described in the Preliminary Prospectus and will be described in the Final Prospectus.

26. The net proceeds from the offering of the Capital Shares and the Preferred Shares (after deducting the Agent(s)'s fees, expenses of the Offering and the Issuer's interest and other expenses relating to the acquisition of the Portfolio Shares) will be used by the Issuer to fund the purchase of the Portfolio Shares.

27. In connection with the services to be provided by BMO Nesbitt Burns to the Issuer pursuant to the Administration Agreement, BMO Nesbitt Burns may sell Portfolio Shares to fund retractions of Capital Shares and Preferred Shares prior to the Redemption Date and upon liquidation of the Portfolio Shares prior to the Redemption Date. These sales will be made by BMO Nesbitt Burns as agent on behalf of the Issuer. Subject to the receipt of the relief requested hereby, in certain circumstances such as where a small number of Capital Shares and Preferred Shares have been surrendered for retraction, BMO Nesbitt Burns may also purchase Portfolio Shares as principal (the "Principal Purchases").

28. In connection with any Principal Purchases, BMO Nesbitt Burns will comply with the rules, procedures and policies of the applicable stock exchange of which it is a member and in accordance with orders obtained from all applicable securities regulatory authorities. The Preliminary Prospectus discloses and the Final Prospectus will disclose that BMO Nesbitt Burns may make Principal Purchases.

29. The Administration Agreement will provide that BMO Nesbitt Burns must take reasonable steps, such as soliciting bids from other market participants or such other steps as BMO Nesbitt Burns, in its discretion, considers appropriate after taking into account prevailing market

conditions and other relevant factors, to enable the Issuer to obtain the best price reasonably available for the Portfolio Shares so long as the price obtained (net of all transaction costs, if any) by the Issuer from BMO Nesbitt Burns is more or at least as advantageous to the Issuer as the price which is available (net of all transaction costs, if any) through the facilities of the applicable stock exchange at the time of the trade.

30. BMO Nesbitt Burns will not receive any commissions from the Issuer in connection with Principal Purchases and, in carrying out the Principal Purchases, BMO Nesbitt Burns shall deal fairly, honestly and in good faith with the Issuer.

31. It will be the policy of the Issuer to hold the Portfolio Shares and to not engage in any trading of the Portfolio Shares, except:

- (a) to fund retractions or redemptions of Capital Shares and Preferred Shares;
- (b) following receipt of stock dividends on Portfolio Shares; or
- (c) in certain other limited circumstances described in the Preliminary Prospectus, such as the occurrence of an extraordinary transaction or business combination involving one of the Financial Services Companies.

32. BMO Nesbitt Burns will be a significant maker of markets for Capital Share and Preferred Shares, although it is not anticipated that BMO Nesbitt Burns will be appointed the registered pro-trader by the TSE with respect to the Issuer. As a result, BMO Nesbitt Burns will, from time to time, purchase and sell Capital Shares and Preferred Shares as principal and trade in such securities as agent on behalf of its clients, the primary purpose of such trades (the "Market Making Trades") being to provide liquidity to the holders of Capital Shares and Preferred Shares. All trades made by BMO Nesbitt Burns as principal will be recorded daily by the TSE.

33. As BMO Nesbitt Burns indirectly owns 50% of the Class A Shares of the Issuer, BMO Nesbitt Burns will be deemed to be in a position to affect materially the control of the Issuer and consequently, each Market Making Trade will be a "distribution" or "distribution to the public" within the meaning of the Legislation.

34. By virtue of BMO Nesbitt Burns' relationship with the Issuer, including the fact that three of the directors and officers of the Issuer are employees of BMO Nesbitt Burns and BMO Nesbitt Burns is the promoter of the Issuer, the Issuer is a connected issuer (or equivalent) and/or related issuer (or equivalent) of BMO Nesbitt Burns under the Legislation.

35. It is not known at this time whether any other agents will participate in distributing the Offering or, if so, what proportions of the Offering will be sold by additional agents other than BMO Nesbitt Burns.

36. The Issuer is not and it is not expected that the Issuer could be in financial difficulty.

AND WHEREAS under the MRRS this Decision Document evidences the decision of each Decision Maker (collectively, the "Decision");

AND WHEREAS each of the Decision Makers is satisfied that the test contained in the Legislation that provides the Decision Maker with the jurisdiction to make the decision has been met;

THE DECISION of the Decision Makers pursuant to the Legislation is that:

A. The Underwriting Restrictions shall not apply to BMO Nesbitt Burns in connection with the Offering.

B. The Prospectus Requirements shall not apply to the Market Making Trades by BMO Nesbitt Burns in the Capital Shares and Preferred Shares provided that at the time of each Market Making Trade, BMO Nesbitt Burns and its affiliates do not beneficially own or have the power to exercise control or direction over a sufficient number of voting securities of any of the Financial Services Companies, securities convertible into voting securities of any of the Financial Services Companies, options to acquire voting securities of any of the Financial Services Companies, or any other securities which provide the holder with the right to exercise control or direction over voting securities of any of the Financial Services Companies which in the aggregate permit BMO Nesbitt Burns to affect materially the control of any of the Financial Services Companies and without limiting the generality of the foregoing, the beneficial ownership of or the power to exercise control or direction over securities representing in the aggregate, 20% or more of the votes attaching to all the then issued and outstanding voting securities of any of the Financial Services Companies shall, in the absence of evidence to the contrary, be deemed to affect materially the control of any of such Financial Services Companies.

C. The Principal Trading Prohibitions shall not apply to BMO Nesbitt Burns in connection with the Principal Sales and Principal Purchases.

D. The Investment Restrictions shall not apply to the Issuer in connection with investments in shares of Bank of Montreal.

DATED at Toronto on this 5th day of October, 2000.

"J. A. Geller" "Stephen N. Adams"

Headnote

Mutual Reliance Review System for Exemptive Relief Applications - subdivided offering - the prohibitions contained in the Legislation prohibiting trading in portfolio shares by persons or companies having information concerning the trading programs of mutual funds shall not apply to the promoter/agent with respect to certain principal trades with the issuer in securities

comprising the issuer's portfolio in connection with an offering where underlying interest consists of a portfolio of common shares of Canadian public financial services companies.

The restrictions against registrants acting as underwriters in connection with the distribution of securities of a related or connected issuer shall not apply to the promoter/agent in connection with the offering.

Market making trades by promoter/agent shall not be subject to requirements to file and obtain a receipt for a preliminary and final prospectus provided that the promoter/agent and its affiliates do not beneficially own or have the power to exercise control of a sufficient number of voting securities of an issuer of the securities comprising the issuer's portfolio to permit the promoter/agent to affect materially the control of such issuer.

Issuer, a mutual fund, exempted from restriction against making an investment in any person or company who is a substantial security holder of the mutual fund, its management company or distribution company.

Applicable Ontario Statutes

Securities Act, R.S.O. 1990, c.S.5, as amended, ss. 1(1), 53, 59, 74(1), 111(2)(a), 119, 121(2)(a)(ii).

Applicable Ontario Regulations

Regulation made under the Securities Act, R.R.O. 1990, Reg. 1015, as amended, ss. 233, 224(1)(b).